



CGI

Canadian General Investments,  
Limited

# Long term growth and income



## Corporate Profile

**CANADIAN GENERAL INVESTMENTS, LIMITED (CGI)** is a closed-end equity fund focussed on medium to long-term investments in Canadian corporations. It strives, through prudent security selection, timely recognition of capital gains and appropriate income generating instruments, to provide better than average returns to investors.

CGI was established in 1930 and has been managed since 1956 by investment manager Morgan Meighen & Associates Limited (website: [www.mmainvestments.com](http://www.mmainvestments.com)).

Net asset value per share is calculated daily, distributed via various news services, and is published in the financial media in Canada, the United States and the United Kingdom. Market prices are published daily in Canada and the U.K. and at the weekend in the U.S.

CGI's shares and warrants are traded through stock brokers and listed on the Toronto Stock Exchange (symbols: common shares – CGI, preference shares – CGI.PR.A, and warrants – CGI.WT). On the London Stock Exchange, Reuters symbols are: common shares – CGIq.L and warrants – CGI<sup>w</sup>q.L. CGI is the only active internationally listed closed-end Canadian equities fund.

CGI is a founding member of the Closed-End Fund Association (CEFA) in North America (website: [www.cefa.com](http://www.cefa.com)).

## Top Ten Investments *(Excluding cash and short-term investments)*

<i>(Portfolio details on pages 11 to 13)</i>	%
Inco Limited	3.9
Corby Distilleries Limited	2.6
Bank of Montreal	2.5
Astral Media Inc.	2.2
TELUS Corporation	2.1
The Bank of Nova Scotia	2.1
BCE Inc.	1.9
TransCanada PipeLines Limited	1.8
Canada Life Financial Corporation	1.8
Canadian Oil Sands Trust	1.7
<b>Total</b>	<b>22.6</b>



Michael A. Smedley, *President*  
and Vanessa L. Morgan, *Chairman*

# Top Quartile Performance

Canadian General Investments, Limited's (CGI) 2002 return would place the Corporation (a closed-end fund) in the top quartile of Canadian equity mutual funds as reported in *The Globe and Mail*.

The net assets of CGI increased by 6.0%, or \$15.6 million during the final quarter of 2002. For the year, the Corporation's diluted net asset value per share (NAV) return, with distributions reinvested, was -5.8% compared to -12.4% for the benchmark S&P/TSX Composite Total Return Index. The Corporation's outperformance was a virtual repeat of its successful defense of assets in 2001, when its NAV return was -1.5% and the S&P/TSX Index trailed at -12.6%.

This performance is particularly pleasing in comparison with the experience in the United States as demonstrated by a 22.0% decline in the S&P 500 Composite Total Return Index, closing three straight years of big losses in U.S. markets.

Where CGI disappointed in the latest quarter was in the failure of its share price to rally, likely due to the weary state of investors. The stock price closed the year at \$8.45, down from \$8.64 at September 30,

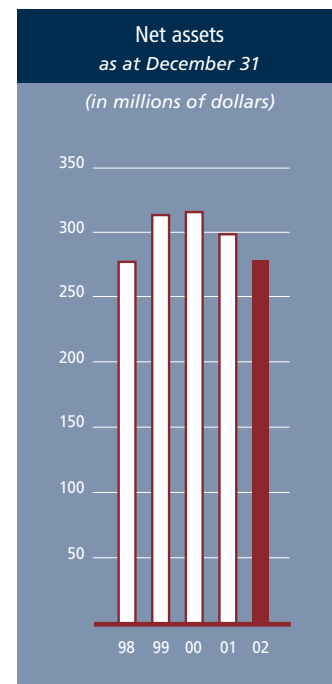
2002 and \$9.25 at the end of 2001. A good outcome in 2002, in addition to sustaining assets, was a dividend yield of 2.8% based on the year-end closing market price.

## Portfolio Comment

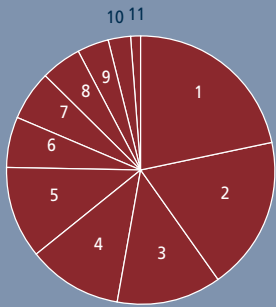
The portfolio at year-end held more than 90 names, a diversification adding comfort in a market when even the slightest negative news can result in a significant downward move in a stock's price.

Investors' enthusiasm throughout 2002 in Canada was almost entirely directed toward the \$45 billion income fund and royalty trust sector, where cash yields around the 10% level are a normal expectation and capital, in general, has been preserved. At year-end, CGI had approximately \$22 million in this sector, in which it has invested for many years.

Income funds dominated the initial public offerings scene. Three new income funds were added to the portfolio during the year,

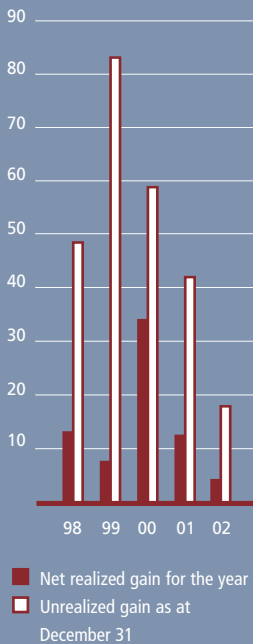


Weighting of portfolio investments at market  
December 31, 2002



	%
1 Financials	21.7
2 Materials	18.5
3 Consumer Discretionary	12.6
4 Energy	11.4
5 Consumer Staples	11.1
6 Industrials	6.1
7 Telecommunication Services	6.0
8 Utilities	4.9
9 Preferred Shares	3.8
10 Health Care	2.7
11 Information Technology	1.2

Net realized and unrealized gain on investments  
Years 1998 to 2002  
(in millions of dollars)



Davis + Henderson Income Fund, Sun Gro Horticulture Income Fund and Timberwest Forest Corp. Few traditional type companies were successfully brought to market. From among those, holdings were established in Mega Bloks Inc, TSX Group Inc., and Rockwater Capital Corporation.

New in our well weighted **Materials** sector were most of our gold stocks – Glamis Gold Ltd., Goldcorp Inc., Meridian Gold Inc. and Placer Dome Inc. – and three mining companies involved in new developments in precious and base metals on the Sudbury Rim (see page 20) in Northern Ontario – FNX Mining Company Inc., Dynatec Corporation and Wallbridge Mining Company Limited.

TELUS Corporation and BCE Inc., in **Telecommunication Services**, have proved, initially, to be worthwhile repurchases. We hope to see further recovery in these stocks. These companies presently offer good dividend yields, so far meeting investors' need for income amidst poor markets and low interest rates on savings.

### Outlook

More attention is being given to dividends in North America as capital growth seems to be elusive, and this is part of the focus of the Fund. We look for

Canada to outperform the United States, in economic, currency and market terms. In both countries the central banks should stay shy of triggering strong interest rates unless the United States leads us higher on dollar weakness.

### Board of Directors

Carl S. Hutman, a director of the Corporation since 1993 will not be seeking re-election to the Board at the next Annual Meeting of Shareholders. His colleagues and Management acknowledge with gratitude Mr. Hutman's contribution.

As previously reported, the Board accepted with regret in August 2002, the resignation of Mr. M. Paul Bloom. Mr. Neil Raymond was appointed to fill the Board vacancy.

The Board records its appreciation of the efforts of the staff of the Manager through the year.

Vanessa L. Morgan  
Chairman

Michael A. Smedley  
President

February 6, 2003

## Management's Discussion and Analysis

The fourth quarter of 2002 saw the net assets of Canadian General Investments, Limited (CGI) climb by 6.0% to \$274,519,000 at year-end. This represented a decline of 8.0% from the December 31, 2001 value of \$298,546,000. In comparison, the S&P/TSX Composite Index, which does not reflect dividends reinvested, was up 7.0% for the quarter and down 14.0% for the twelve-month period.

The Manager's bottom-up investment style involving diversity and often the identification of 'special situations' encourages strong performance from a broad range of stocks. This was the main contributing factor to CGI's outperformance of the Index.

CGI does not try to copy S&P/TSX Index weightings. At year-end, the Corporation continued to overweight **Consumer Discretionary** and **Consumer Staples**.

The largest sectors in CGI's portfolio were **Financials**, **Materials**, which includes base metals, golds and diamonds, and **Consumer Discretionary**, with weightings of 21.7%, 18.5% and 12.6%, respectively. The portfolio showed substantial unrealized gains in most major industry sectors, whereas major sector unrealized losses were limited to **Health Care** and **Information Technology**.

### Net Assets

Diluted net asset value per share (NAV) at year-end 2002 was \$12.33, down from \$13.34 at December 31, 2001.

The net realized gain on investments was \$4,072,000 compared to \$11,304,000 in

2001. During 2002, some of the more significant gains were realized on sales of EnCana Corporation, Suncor Energy, Inc. and SHAW Communications Inc. Losses were realized during the period with the disposition of Microcell Telecommunications Inc., Persona Inc. and BCE Emergis Inc.

In 2002 there was a decline of \$23,339,000 in unrealized appreciation of investments, versus a decline of \$17,666,000 in 2001.

### NAV Return

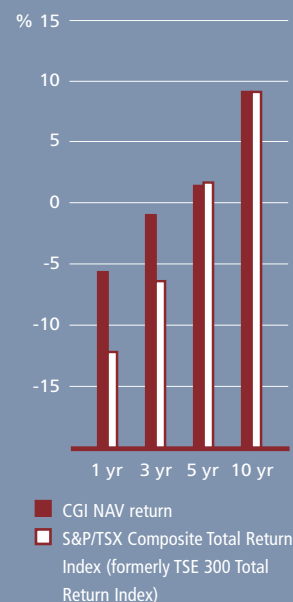
CGI's NAV return, with distributions reinvested, for 2002 was -5.8%, compared with -12.4% for the S&P/TSX Composite Total Return Index. The Corporation's common stock had a closing price of \$8.45 at year-end 2002, resulting in a discount to diluted NAV of 31.5%. This compares to a closing price of \$9.25 and a discount of 30.7% at December 31, 2001.

### Operations

CGI had net investment income in 2002 of \$973,000, compared to \$846,000 in 2001.

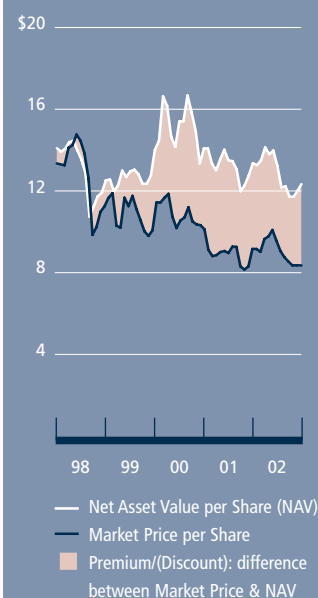
Total investment income of \$7,663,000 in 2002, primarily dividend and interest income, represented a 10.6% increase from the \$6,929,000 recorded in 2001. The main reason for the increase was a special dividend of approximately \$729,000 received from Rothmans Inc. in the last quarter of 2002. Interest income of \$1,604,000 in 2002 was 63.5% higher than in the prior year due to increased holdings of income trusts. At the 2002 year-end, CGI held six income trusts making up 6.8% of the portfolio, compared with three trusts at December 31, 2001, comprising 4.2%.

NAV Returns\* vs S&P/TSX Composite Total Return Index  
For 1, 3, 5 and 10 years to December 31, 2002

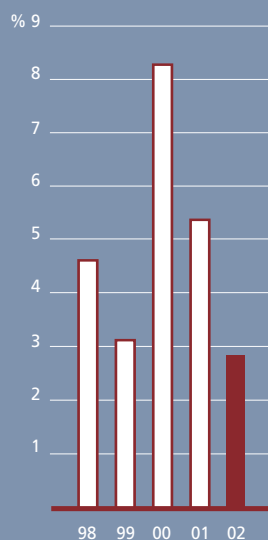


\* Compound average annual rates of return assuming reinvestment of distributions at month-end closing diluted net asset values

Comparison of market price to NAV (diluted)  
Years 1998 to 2002



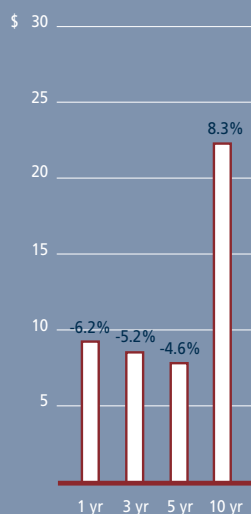
### Cash dividend market yield 1998 to 2002



\* Represents total per common share cash distributions for the year as a percentage of the year-end closing market price

### Growth of a \$10,000 investment\* For 1, 3, 5 and 10 years to December 31, 2002

(in thousands of dollars)



\* Compound average annual rates of return assuming reinvestment of distributions at month-end closing prices

Total expenses of \$7,919,000 in 2002 were up 0.2% from the previous year. Management fees of \$3,771,000 for 2002 represented the largest expense of the Corporation. This fee is calculated quarterly at 1% per annum of the market value of CGI's investments adjusted for cash and portfolio accounts receivable and payable.

The management expense ratio (MER) for both 2002 and 2001 was 1.5%. In calculating the MER, expenses exclude brokerage commissions, dividends on preference shares, amortization of deferred financing charges, and all income taxes.

The portfolio turnover rate was 51.9% in 2002 versus 78.8% in 2001. Higher activity than usual was experienced in 2001 largely as a result of increased market volatility and a movement out of the technology sub-sector.

### Dividends

Total cash dividends of \$4,914,000 were paid to common shareholders during 2002. This reflected the payment of four regular quarterly income dividends totalling \$0.24 per share. Aggregate cash dividends of \$10,032,000 were paid to shareholders during 2001. This comprised the four regular quarterly income dividends, and also two capital gains cash dividends totalling \$0.25 per share which were paid in December.

Pursuant to CGI's status as an investment corporation, the payment of capital gains dividends enables the Corporation to recover taxes payable on its realized taxable capital gains. After due consideration of corporate factors and market volatility, the Board decided not to pay out any capital gains dividends for 2002.

### Warrants

In 2002, CGI renewed a Normal Course Issuer Bid for outstanding warrants of the Corporation that was initiated in the second quarter of 2001. Under the terms of the renewal, CGI may purchase in the market, from time to time, if it is considered desirable, up to 5%, a maximum of 196,686 of its outstanding warrants during the period April 23, 2002 to April 22, 2003. During 2002, CGI bought 181,802 of its warrants for \$831,000, compared to 78,300 warrants for \$325,000 in 2001. Purchase and cancellation of its warrants increases the diluted NAV of the Corporation.

Pursuant to the Corporation's warrant indenture, on June 30, 2002 warrant holders exercised 1,906 warrants at \$6.50 per share for aggregate proceeds of \$12,000. In 2001, 10,095 warrants were exercised at \$6.94 per share for aggregate proceeds of \$70,000. The remaining outstanding warrants continue to be exercisable on June 30 of each year until their expiration in 2007.

As a result of cash dividends paid in excess of net income during 2002, the exercise price of the warrants was reduced to \$6.30 per share effective February 6, 2003.

### Looking Ahead

CGI's portfolio continues to be well diversified and positioned to continue to benefit from any market improvements in the Canadian scene.

## Financial Reports

### Management's Report

The accompanying financial statements have been prepared by Management and approved by the Board of Directors of the Corporation. Management is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

The Corporation maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which Management believes are appropriate for the Corporation are described in note 1 to the financial statements. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing Management's performance of its financial reporting responsibilities. An Audit Committee comprised of non-Management Directors is appointed by the Board. The Audit Committee reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with Management and the external Auditors. The Audit Committee reports to the Directors prior to the approval of the audited financial statements for publication.

PricewaterhouseCoopers LLP, the Corporation's external Auditors, who are appointed by the shareholders, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on this page.



Vanessa L. Morgan  
*Chairman*

Michael A. Smedley  
*President*

February 6, 2003

### Auditors' Report

*To the Shareholders of  
Canadian General Investments, Limited*

We have audited the accompanying statements of net assets of **Canadian General Investments, Limited** as at December 31, 2002 and 2001, and the statement of investments as at December 31, 2002, the statements of operations, retained earnings, unrealized gain on investments and changes in net assets for the years then ended, and the statements of financial highlights for each of the years in the five-year period ended December 31, 2002. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001, and the results of its operations and the changes in its net assets for the years then ended and its financial highlights for each of the years in the five-year period ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Toronto, Ontario

January 17, 2003

## Statements of Net Assets

As at December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$
<b>Assets</b>		
Investments <i>(note 1)</i>	331,177	356,403
Cash and short-term investments	2,925	2,348
Receivable on securities sold	–	658
Accrued interest and dividends	746	609
Income taxes recoverable	256	783
Deferred financing charge	249	581
	<b>335,353</b>	<b>361,382</b>
<b>Liabilities</b>		
Payable on securities purchased	575	2,536
Accounts payable and accrued liabilities	117	158
Accrued dividends on preference shares	142	142
Preference shares <i>(note 3)</i>	60,000	60,000
	<b>60,834</b>	<b>62,836</b>
<b>Net Assets</b>	<b>274,519</b>	<b>298,546</b>
<b>Shareholders' Equity</b>		
Common shares <i>(note 3)</i>	127,268	127,256
Unrealized gain on investments	18,118	41,457
Retained earnings	129,133	129,833
	<b>274,519</b>	<b>298,546</b>
<b>Number of common shares outstanding <i>(note 3)</i></b>	<b>20,477,598</b>	<b>20,475,692</b>
<b>Number of warrants outstanding <i>(note 3)</i></b>	<b>3,797,626</b>	<b>3,981,334</b>
<b>Net asset value per common share – basic</b>	<b>13.41</b>	<b>14.58</b>
<b>Net asset value per common share – diluted</b>	<b>12.33</b>	<b>13.34</b>

Approved by the Board of Directors



Director



Director

## Statements of Operations

For the years ended December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
<b>Investment income</b>		
Dividends	6,019	5,887
Interest	1,604	981
Other	40	61
	7,663	6,929
<b>Expenses</b>		
Management fees <i>(note 6)</i>	3,771	3,762
Dividends on preference shares	3,240	3,240
Amortization of deferred financing charge	332	332
Investor relations	171	160
Directors' fees	97	108
Other	308	303
	7,919	7,905
<b>Investment loss before income taxes</b>	(256)	(976)
<b>Income tax recovery <i>(note 2)</i></b>	1,229	1,822
<b>Net investment income for the year</b>	973	846
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized gain on investments <i>(note 4)</i>	4,072	11,304
Change in unrealized appreciation of investments	(23,339)	(17,666)
<b>Net loss on investments</b>	(19,267)	(6,362)
<b>Decrease in net assets resulting from operations</b>	(18,294)	(5,516)

## Statements of Retained Earnings

For the years ended December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$
<b>Retained earnings – Beginning of year</b>	<b>129,833</b>	127,000
<b>Add</b>		
Net investment income for the year	973	846
Net realized gain on investments	4,072	11,304
	<b>134,878</b>	139,150
<b>Deduct</b>		
Distributions from net realized gain on investments		
– net of income taxes recoverable	–	4,079
Distributions from net investment income	4,914	4,913
Warrants repurchased	831	325
	<b>5,745</b>	9,317
<b>Retained earnings – End of year</b>	<b>129,133</b>	129,833
<b>Dividends per common share (note 5)</b>		
Regular	0.24	0.24
Capital gains	–	0.25
	<b>0.24</b>	0.49

## Statements of Unrealized Gain on Investments

For the years ended December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
<b>Unrealized gain on investments – Beginning of year</b>	<b>41,457</b>	59,123
Change in unrealized appreciation of investments	(23,339)	(17,666)
<b>Unrealized gain on investments – End of year</b>	<b>18,118</b>	41,457

## Statements of Changes in Net Assets

For the years ended December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
<b>Decrease in net assets resulting from operations</b>	<b>(18,294)</b>	(5,516)
<b>Distributions to common shareholders (note 5)</b>		
Net investment income	(4,914)	(4,913)
Net realized gain on investments	–	(5,119)
	(4,914)	(10,032)
Income taxes recoverable on distributions from net realized gain on investments	–	1,040
	(4,914)	(8,992)
<b>Capital stock transactions</b>		
Shares issued on exercise of warrants (note 3)	12	70
Warrants repurchased (note 3)	(831)	(325)
	(819)	(255)
<b>Decrease in net assets</b>	<b>(24,027)</b>	(14,763)
<b>Net assets – Beginning of year</b>	<b>298,546</b>	313,309
<b>Net assets – End of year</b>	<b>274,519</b>	298,546

## Statements of Financial Highlights

For the five-year period ended December 31, 2002	2002	2001	2000	1999	1998
	\$	\$	\$	\$	\$
<b>Data per share – basic (note 7)</b>					
<b>Net asset value – Beginning of year</b>	<b>14.58</b>	15.31	15.17	13.29	15.03
<b>Income (loss) from investment operations</b>					
Net investment income (loss) for the year	<b>0.05</b>	0.04	(0.09)	0.02	0.03
Net realized gain and unrealized gain (loss) on investments	<b>(0.94)</b>	(0.31)	0.48	2.04	(1.37)
	<b>(0.89)</b>	(0.27)	0.39	2.06	(1.34)
<b>Distributions to investors</b>					
From net investment income	<b>(0.24)</b>	(0.24)	(0.22)	(0.12)	(0.13)
From net realized gain on investments	–	(0.25)	(1.84)	(0.50)	(1.17)
	<b>(0.24)</b>	(0.49)	(2.06)	(0.62)	(1.30)
Income taxes recoverable on distributions from net realized gain on investments	–	0.05	0.51	0.17	0.38
Net decrease in refundable dividend tax on hand	–	–	–	–	0.08
	<b>(0.24)</b>	(0.44)	(1.55)	(0.45)	(0.84)
<b>Capital stock transactions</b>					
Shares issued on reinvestment of distributions	–	–	1.29	0.27	0.77
Shares issued on exercise of warrants	–	–	0.01	–	–
Warrants repurchased	<b>(0.04)</b>	(0.02)	–	–	–
	<b>(0.04)</b>	(0.02)	1.30	0.27	0.77
<b>Other</b>					
Payment pursuant to issuer bid litigation	–	–	–	–	(0.33)
<b>Net asset value – End of year</b>	<b>13.41</b>	14.58	15.31	15.17	13.29
<b>Ratios / supplemental data</b>					
Total net assets – End of year (in thousands of dollars)	<b>274,519</b>	298,546	313,309	310,127	271,568
Weighted average net assets (in thousands of dollars)	<b>287,556</b>	296,335	337,302	278,372	281,604
Management expense ratio (note 7(b))	<b>1.5%</b>	1.5%	1.5%	1.5%	1.3%
Portfolio turnover rate (note 7(c))	<b>51.9%</b>	78.8%	82.6%	58.1%	47.9%
Annual net asset value growth, with distributions reinvested (note 7(d))	<b>-5.8%</b>	-1.5%	6.0%	14.9%	-7.5%

## Statement of Investments

December 31, 2002

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost</i>	<i>Market Value</i>
<i>(in thousands of dollars)</i>			
<b>Consumer Discretionary – 12.6%</b>			
<b>Auto Components</b>			
35,000	Magna International Inc. A	\$ 3,588	\$ 3,082
225,900	Martinrea International Inc.	1,976	1,667
<b>Household Durables</b>			
100,000	Dorel Industries Inc. B	3,850	3,600
<b>Leisure Equipment &amp; Products</b>			
164,000	Mega Bloks Inc.*	3,186	3,854
<b>Media</b>			
320,000	Astral Media Inc. A*	5,718	7,414
87,000	CHUM Limited B	4,929	3,654
110,900	Corus Entertainment Inc. B	3,811	2,102
280,000	Imax Corporation	3,037	1,770
212,800	Torstar Corporation B	4,416	5,426
<b>Specialty Retail</b>			
343,600	BMTC Group Inc. A*	3,826	4,931
136,300	The Forzani Group Ltd.	1,354	2,768
142,300	La Senza Corporation	1,875	1,423
TOTAL CONSUMER			
DISCRETIONARY		41,566	41,691
<b>Consumer Staples – 11.1%</b>			
<b>Beverages</b>			
75,000	Corby Distilleries Limited A	3,753	4,500
70,000	Corby Distilleries Limited B	4,416	3,948
150,000	Molson Inc. A	3,720	5,017
130,000	Vincor International Inc.	3,108	2,990
<b>Food &amp; Drug Retailing</b>			
770,300	CoolBrands International Inc.	4,070	4,129
270,000	Metro Inc. A	2,947	4,792
170,000	Shoppers Drug Mart Corporation	3,060	4,170
<b>Food Products</b>			
200,000	Connors Bros. Income Fund	1,983	2,740
<b>Personal Products</b>			
374,100	Concert Industries Ltd.	2,402	232
<b>Tobacco</b>			
145,800	Rothmans Inc.	4,341	4,218
TOTAL CONSUMER STAPLES		33,800	36,736

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost</i>	<i>Market Value</i>
<i>(in thousands of dollars)</i>			
<b>Energy – 11.4%</b>			
<b>Oil &amp; Gas</b>			
95,000	Bonavista Petroleum Ltd.	\$ 2,741	\$ 3,234
850,000	Canadian 88 Energy Corp.	2,517	2,159
80,000	Canadian Natural Resources Limited*	3,908	3,744
150,000	Canadian Oil Sands Trust	5,208	5,708
161,900	Hurricane Hydrocarbons Ltd. A	2,656	2,668
285,000	Husky Energy Inc.	5,328	4,694
100,000	Petro-Canada	1,896	4,891
100,000	Shell Canada Limited	5,055	4,920
150,000	Suncor Energy, Inc.	1,025	3,705
85,000	Western Oil Sands Inc. A	2,201	2,061
TOTAL ENERGY		32,535	37,784
<b>Financials – 21.7%</b>			
<b>Banks</b>			
200,000	Bank of Montreal	7,016	8,338
130,000	The Bank of Nova Scotia	5,662	6,846
100,000	Canadian Western Bank	2,955	2,660
60,000	Royal Bank of Canada*	3,297	3,471
60,000	The Toronto-Dominion Bank*	1,890	2,041
<b>Diversified Financials</b>			
120,000	Brascan Corporation A	3,494	3,810
309,000	Guardian Capital Group Ltd. A	2,209	3,399
283,000	Home Capital Group Inc. B	2,916	4,103
1,800,000	Rockwater Capital Corporation, special warrants*	1,350	2,412
289,800	SEAMARK Asset Management Ltd.*	4,720	5,289
120,900	TSX Group Inc.*	2,583	2,569
<b>Insurance</b>			
145,000	Canada Life Financial Corporation*	6,483	5,842
5,400	Fairfax Financial Holdings Limited*	848	654
213,300	Kingsway Financial Services Inc.	3,344	2,920
40,000	Manulife Financial Corporation	1,798	1,376
135,100	Sun Life Financial Services of Canada Inc.	4,808	3,608
100,000	Travelers Property Casualty Corp. A	3,221	2,314
<b>Real Estate</b>			
202,300	BPO Properties Limited	4,281	5,159
330,100	Boardwalk Equities Inc.	4,770	5,011
TOTAL FINANCIALS		67,645	71,822

## Statement of Investments *(continued)*

December 31, 2002

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost Value</i>		<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost Value</i>	
		<i>(in thousands of dollars)</i>				<i>(in thousands of dollars)</i>	
<b>Health Care – 2.7%</b>				<b>Materials – 18.5%</b>			
<b>Biotechnology</b>				<b>Chemicals</b>			
200,000	Neurochem Inc.*	\$ 1,098	\$ 1,560	260,000	DuPont Canada Inc. A	\$ 3,885	\$ 5,569
				312,500	Sun Gro Horticulture Income Fund	3,125	3,266
<b>Health Care Providers &amp; Services</b>				<b>Containers &amp; Packaging</b>			
231,000	MDS Inc.	6,502	5,082	20,200	Winpak Ltd.*	2,240	2,444
<b>Pharmaceuticals</b>				<b>Metals &amp; Mining</b>			
55,000	Biovail Corporation	3,058	2,314	150,000	Aber Diamond Corporation	2,501	4,612
	<b>TOTAL HEALTH CARE</b>	<b>10,658</b>	<b>8,956</b>	1,330,000	Agnico-Eagle Mines Limited		
<b>Industrials – 6.1%</b>				conv. deb. 4.5% due			
<b>Aerospace &amp; Defense</b>				Feburary 15, 2012			
350,000	Bombardier Inc. B*	2,195	1,862	100,500	Cameco Corporation	3,634	3,767
<b>Commercial Services &amp; Supplies</b>				1,900,000 Dynatec Corporation			
300,000	Davis + Henderson Income Fund	3,119	3,858	230,000	Falconbridge Limited	4,497	3,478
335,000	Moore Corporation Limited	5,270	4,787	100,000	FNX Mining Company Inc.*	679	660
<b>Construction &amp; Engineering</b>				100,000 Glamis Gold Ltd.			
127,800	SNC-Lavalin Group Inc.	2,797	4,352	125,000	Goldcorp Inc.	2,124	2,508
<b>Marine</b>				146,000 IPSCO Inc.			
175,500	CP Ships	3,723	3,722	200,000	Inco Limited	5,480	6,676
<b>Road &amp; Rail</b>				200,000 Inco Limited wts. 8/21/06			
50,000	Mullen Transportation Inc.*	1,486	1,500	350,000	Labrador Iron Ore Royalty		
	<b>TOTAL INDUSTRIALS</b>	<b>18,590</b>	<b>20,081</b>		Income Fund	4,090	5,075
<b>Information Technology – 1.2%</b>				100,000 Meridian Gold Inc.			
<b>Communications Equipment</b>				38,000 Newmont Mining Corporation			
450,000	Nortel Networks Corporation <sup>+</sup>	3,379	1,134		of Canada Limited wts.	87	940
2,000,000	Nortel Networks Corporation			117,000	Placer Dome Inc.*	2,059	2,090
	conv. deb. 144A 4.25% due			40,000	Southwestern Resources Corp.*	575	560
	September 1, 2008	3,143	1,643	102,000	Teck Cominco Limited B	1,423	1,183
55,100	Research in Motion Limited	1,484	1,138	392,000	Wallbridge Mining Company Limited	494	470
	<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>8,006</b>	<b>3,915</b>	<b>Paper &amp; Forest Products</b>			
				270,000	Abitibi-Consolidated Inc.	3,385	3,275
				150,000	TimberWest Forest Corp.	1,938	1,800
				<b>TOTAL MATERIALS</b>			
						<b>55,553</b>	<b>61,339</b>

## Statement of Investments *(continued)*

December 31, 2002

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost Value</i>	
<i>(in thousands of dollars)</i>			
<b>Telecommunication Services – 6.0%</b>			
<b>Diversified Telecommunication Services</b>			
75,000	Aliant Inc.*	\$ 2,005	\$ 1,894
115,000	BCE Inc.	3,158	3,278
100,000	Manitoba Telecom Services Inc.	2,915	3,545
400,000	TELUS Corporation	4,576	6,980
<b>Wireless Telecommunication Services</b>			
300,000	Rogers Wireless Communications Inc. B*	4,257	4,179
TOTAL TELECOMMUNICATION SERVICES		16,911	19,876
<b>Utilities – 4.9%</b>			
<b>Gas Utilities</b>			
110,000	Enbridge Inc.	3,532	4,687
263,000	TransCanada PipeLines Limited	6,603	6,028
<b>Multi-Utilities &amp; Unregulated Power</b>			
50,000	Canadian Utilities Limited A	1,171	2,561
175,000	TransAlta Corporation	3,574	2,994
TOTAL UTILITIES		14,880	16,270

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost Value</i>	
<i>(in thousands of dollars)</i>			
<b>Preferred Shares – 3.8%</b>			
120,000	BCE Inc. pfd. series Z	\$ 2,914	\$ 3,060
100,000	Bombardier Inc. pfd. series 3	2,395	1,801
50,000	Inco Limited pfd. series E*	3,920	4,008
160,000	Quebecor World Inc. pfd. series 3	3,686	3,838
TOTAL PREFERRED SHARES		12,915	12,707
<b>Total Investments</b>			
– December 31, 2002		\$313,059	\$331,177
– December 31, 2001		\$314,946	\$356,403

*Changes from September 30, 2002: \* New Holdings; + Increased Holdings*

## Notes to Financial Statements

December 31, 2002 and 2001

### 1 Summary of significant accounting policies

#### Valuation of investments

Market values of securities are based on closing market quotations.

No provision is made for future income taxes on the unrealized gain on investments since such taxes would be recoverable upon payment of capital gains dividends by the Company (*note 2*).

#### Investment transactions

Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated on an average cost basis.

#### Dividend and interest income

Dividend income is recorded on the ex-dividend date and interest income is recognized as earned.

#### Foreign exchange

Assets and liabilities denoted in foreign currencies are translated into Canadian dollars at year-end rates. Investment income, expenses and purchases and sales of investments are calculated at the exchange rates prevailing on the dates of the transactions.

#### Deferred financing charge

Preference share issuance costs are amortized on a straight-line basis over a five-year period commencing from date of issue.

### 2 Taxation and refundable capital gains tax

The Company qualifies as an investment corporation under Section 130 of the Income Tax Act (Canada) and is subject to a reduced rate of tax on its investment income other than dividends received from taxable Canadian corporations and net taxable capital gains. The Company's provision for income taxes is determined as follows:

Statements of operations

	Years ended December 31,	
	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
Recovery of income taxes based on combined Canadian federal and provincial income tax rates	(107)	(407)
Increase (decrease) in taxes resulting from		
Dividends from taxable Canadian companies	(2,505)	(2,455)
Dividends on preference shares	1,348	1,352
Other	35	(312)
Actual recovery of income taxes	(1,229)	(1,822)

Net realized gain on investments

	Years ended December 31,	
	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
Provision for income taxes based on combined Canadian federal and provincial income tax rates	2,083	5,928
Increase (decrease) in taxes resulting from		
Non-taxable portion of net capital gains	(1,041)	(2,964)
Differences arising from use of different cost bases for tax and accounting purposes and other items	(84)	12
Reduced corporate surtax for investment corporations	(26)	(80)
Actual provision for income taxes <i>(note 4)</i>	932	2,896

Income taxes are paid by the Company on net capital gains realized at the rate of approximately 20%. These taxes are recoverable by the Company, as long as it continues to qualify as an investment corporation. The Company has refundable capital gains tax of approximately \$700,000 as at December 31, 2002 (2001 – \$800,000), which is refundable upon payment of capital gains dividends of approximately \$3,600,000 (2001 – \$4,200,000). This potential recovery has not been recorded in the Company's accounts.

The Company is also subject to a special tax of 33 1/3% on taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at the rate of \$1.00 for each \$3.00 of such dividends paid. There was no amount eligible for refund as at December 31, 2002 and 2001.

In accordance with the Income Tax Act (Canada) (the Act), a corporation can qualify as an investment corporation if certain tests are satisfied. One of the tests is that the corporation cannot have specified shareholders. A specified shareholder is generally a shareholder, who, along with certain persons with whom the shareholder is related, has a greater than 25% shareholding. The Company has had specified shareholders since June 20, 1996. The specified shareholder section of the Act generally allows the Company to maintain its investment corporation status as long as it does not have any specified shareholders other than those specified shareholders existing on June 20, 1996. In addition, the specified shareholders at June 20, 1996 cannot, after that date, contribute capital or acquire additional shares of the Company other than through certain specified transactions.

### 3 Capital stock, net investment income per share and net asset value per share

#### Common shares

The Company is authorized to issue an unlimited number of common shares.

The changes in common shares were as follows:

	2002		2001	
	Number of shares	Amount \$ <i>(in thousands of dollars)</i>	Number of shares	Amount \$ <i>(in thousands of dollars)</i>
Balance – Beginning of year	20,475,692	127,256	20,465,597	127,186
Exercise of warrants	1,906	12	10,095	70
Balance – End of year	20,477,598	127,268	20,475,692	127,256

The weighted average number of shares outstanding during the year ended December 31, 2002 was 20,476,658 (2001 – 20,470,714).

## Notes to Financial Statements *(continued)*

### Preference shares

The Company is authorized to issue in series a class of preference shares of which 2,400,000, 5.40% cumulative, redeemable Class A preference shares, Series 1 (the Series 1 Shares) were outstanding during the years ended December 31, 2002 and 2001.

On and after October 5, 2003 to October 4, 2008, the Company may redeem for cash all, but not less than all of the Series 1 Shares upon payment of a redemption price equal to the higher of the Yield Price (as defined) and \$25.00 per share together with accrued and unpaid dividends to the date of redemption. The Company can redeem in whole or in part and the holder may require the Company to redeem the Series 1 Shares on or after October 5, 2008 at \$25.00 per share.

### Warrants

The Company has 3,797,626 (2001 – 3,981,334) warrants outstanding that are exercisable on June 30 each year, commencing June 30, 2000 and ending on June 30, 2007. On June 30, 2002, the third exercise date, 1,906 warrants were exercised for total proceeds of \$12,000 (2001 – 10,095 warrants, \$70,000). As at December 31, 2002, each warrant entitles the holder to subscribe for a common share at a price of \$6.50 (2001 – \$6.94) per share, subject to adjustment based on the warrant indenture. Upon approval of the audited financial statements for 2002 by the Board of Directors, in accordance with the warrant indenture, the exercise price will be reduced to \$6.30 (2001 – \$6.50) per share as a result of cash dividends paid in excess of net income in each year.

During the year, the Company filed a Notice of Intention to Commence a Normal Course Issuer Bid for issued and outstanding warrants of the Company. Pursuant to the Notice of Intention, the Company may purchase in the market from time to time, if it is considered desirable, up to 5.00%, being up to a maximum of 196,686 of its outstanding warrants during the period from April 23, 2002 to April 22, 2003. In 2002, the Company bought 181,802 (2001 – 78,300) of its warrants for cancellation.

### Net investment income per share and net asset value per share

The calculation of net investment income per share is based on the weighted average number of shares outstanding and the calculation of net asset value per share is based on the number of shares outstanding at the end of the year.

## 4 Net realized gain on investments

The net realized gain on investments was as follows:

	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
Proceeds from disposition of investments	187,125	286,097
Investments at cost – Beginning of year	314,946	306,290
Investments purchased during the year	180,234	280,553
Investments at cost – End of year	(313,059)	(314,946)
Cost of investments disposed of during the year	182,121	271,897
Realized gain on disposition of investments before income taxes	5,004	14,200
Income taxes on realized net taxable capital gains <i>(note 2)</i>	932	2,896
Net realized gain on investments	4,072	11,304

## 5 Common share dividends and recoverable capital gains income taxes

The following common share dividends were paid during the years indicated:

	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
Regular dividends		
Cash dividends \$0.24 (2001 – \$0.24) per share	4,914	4,913
Capital gains dividends		
Cash dividends of \$nil (2001 – \$0.25) per share	–	5,119
Total dividends paid	4,914	10,032

The income taxes recoverable on cash capital gains dividends paid were \$nil (2001 – \$1,040,000).

## 6 Related party information

Management fees are paid monthly to Morgan Meighen & Associates Limited, a corporation under common control with the Company, for services received in connection with the management of the Company's financial accounts and investment portfolio. Management fees are computed quarterly at 1% per annum of the market value of the Company's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable. Values for fee calculation purposes are determined on the basis of the published financial statements of the Company as at the last day of the immediately preceding quarter-year period.

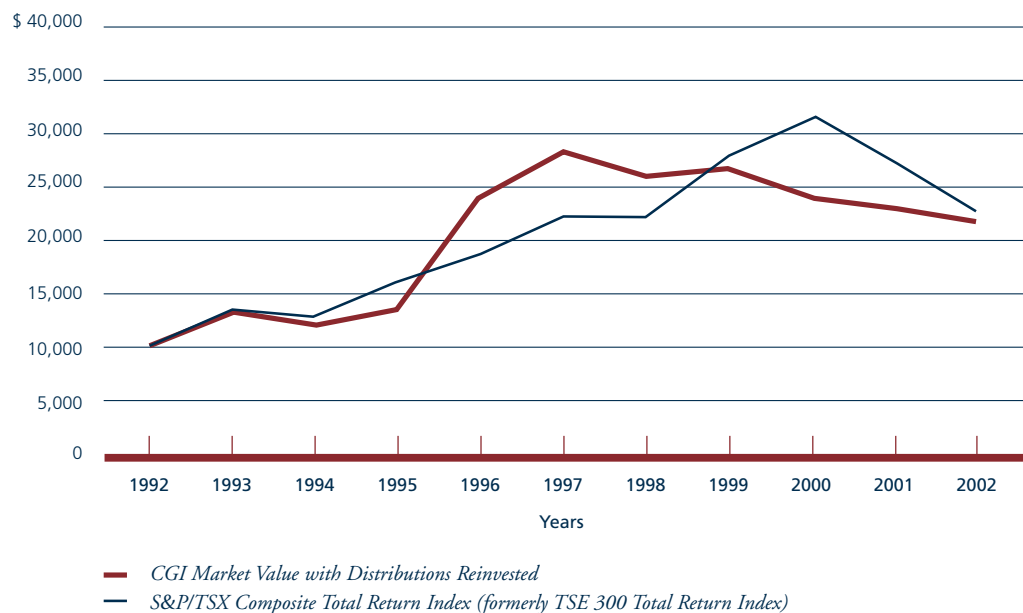
## 7 Financial highlights

### Explanatory notes

- All data per share, except opening and closing net asset values, are based on the average number of shares outstanding during the year.
- The management expense ratio is calculated based on all expenses of the Company (other than brokerage commissions, dividends on preference shares, amortization of deferred financing charge, interest related to issuer bid litigation and all income taxes) expressed as a percentage of the average monthly net assets of the Company.
- The portfolio turnover rate is calculated by dividing the lesser of purchases or sales of securities, excluding securities having maturity dates at acquisition of one year or less, by the weighted average value of the portfolio securities held during the year.
- Annual net asset value growth is calculated based on the change in diluted net asset value per share with reinvestment of distributions at month-end closing diluted net asset values.

## Illustration of a Ten Year Investment of \$10,000

### CANADIAN GENERAL INVESTMENTS, LIMITED (CGI) VS S&P/TSX COMPOSITE TOTAL RETURN INDEX



Years Ending December 31	Market Value of Original Shares	Cumulative Market Value of Distributions Reinvested	Total Market Value
1992	\$ 10,000	\$ 0	\$ 10,000
1993	12,545	412	12,957
1994	10,273	1,724	11,997
1995	11,045	2,617	13,662
1996	18,131	6,764	24,895
1997	17,073	10,963	28,036
1998	14,182	11,504	25,686
1999	13,636	12,360	25,996
2000	11,127	13,552	24,679
2001	10,091	13,523	23,614
<b>2002</b>	<b>9,218</b>	<b>12,930</b>	<b>22,148</b>

The indicated market rates of return in the chart and table above reflect the change in market price, assuming reinvestment of distributions at month-end closing prices. They do not take into account commissions or any income taxes that may be payable by a shareholder that would have reduced returns. Market prices change frequently and past performance may not be repeated.

## Ten Year Performance Summary

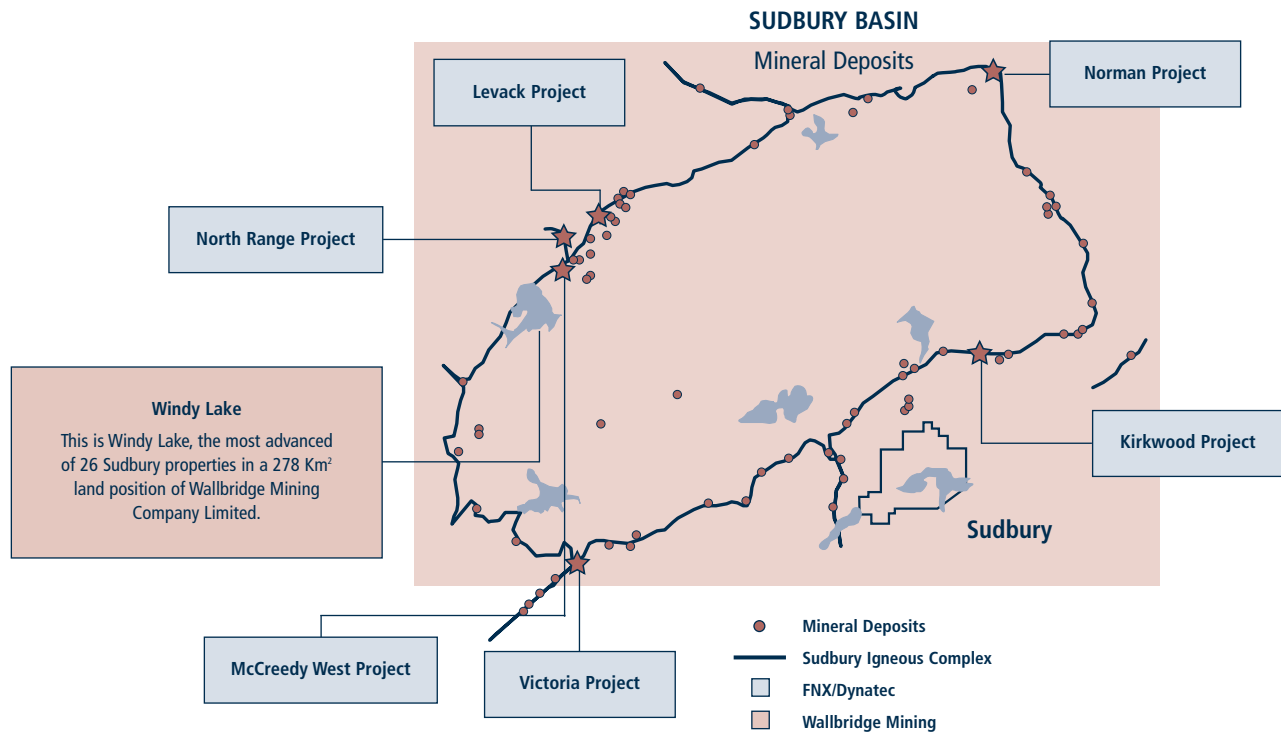
	Net Assets	Net Assets Per Share (Basic)	Net Assets Per Share (Diluted)	Net Investment Income (Loss)	Net Investment Income (Loss) Per Share	Dividends Per Share (Income)	Dividends Per Share (Capital Gains)	Market Value of Share		
								High	Low	Close
	(000's)			(000's)						
1993	\$ 320,881	\$ 9.88	\$ 9.88	\$ 7,132	\$ 0.22	\$ 0.239	\$ –	\$ 8.38	\$ 6.05	\$ 8.03
1994	186,040	9.10	9.10	2,635	0.12	0.143	0.800	9.08	6.40	6.52
1995	206,805	10.11	9.98	4,060	0.20	0.157	0.052	7.80	6.17	7.07
1996	260,338	12.73	12.16	3,822	0.18	0.157	1.030	10.91	7.07	10.83
1997	307,195	15.03	14.07	2,394	0.12	0.173	2.400	14.32	9.47	13.34
1998	271,568	13.29	12.50	624	0.03	0.129	1.165	15.05	9.10	11.73
1999	310,127	15.17	13.98	447	0.02	0.122	0.496	13.30	9.52	11.50
2000	313,309	15.31	14.06	(1,789)	(0.09)	0.221	1.840	12.79	8.80	10.20
2001	298,546	14.58	13.34	846	0.04	0.240	0.250	10.15	7.75	9.25
<b>2002</b>	<b>274,519</b>	<b>13.41</b>	<b>12.33</b>	<b>973</b>	<b>0.05</b>	<b>0.240</b>	<b>–</b>	<b>10.25</b>	<b>7.56</b>	<b>8.45</b>

Per share figures have been restated to reflect the 1996 3 for 1 stock split, the 1996 1 for 11.8682 capital gain stock dividend (issue price of \$16.62), the June 1997 1 for 22.3021 capital gain stock dividend (issue price of \$17.85), the December 1997 1 for 12.9298 capital gain stock dividend (issue price of \$19.40), the June 1998 1 for 59.95795 capital gain stock dividend (issue price of \$18.01), the December 1998 1 for 24.68567 capital gain stock dividend (issue price of \$14.82), the December 1999 1 for 49.79647 capital gain stock dividend (issue price of \$14.94) and the December 2000 1 for 11.51551 capital gain stock dividend (issue price of \$16.13).

## Closed-End Funds Simply Understood

- Fixed number of shares
- Usually listed and traded on a stock exchange
- Bought and sold through investment dealers and brokers
- Commission charges only when stock is purchased or sold
- Trade usually below real value
- May pay cash and/or stock dividends
- Often have dividends and dividend reinvestment plans
- May employ leverage

## Sudbury Rim Offers Opportunity



Source: Map supplied courtesy of FNX Mining Company Inc.

**Mining activity is in new stages of vitality on the rim of the Sudbury Basin, the 100-year-old camp generally regarded as the world's largest sulphide nickel site.**

The mining companies central to the scene are well covered in CGI's portfolio, the seniors being the main operators, Inco Limited and Falconbridge Limited.

Both companies have announced their own significant fresh discoveries in the recent past, but bigger excitement stems from the arrival of several small and therefore high-leverage exploration companies. Also held in the

CGI portfolio, these are FNX Mining Company Inc. and partner Dynatec Corporation and, separately, Wallbridge Mining Company Limited.

FNX and Dynatec are focussed presently on probable near term production through agreement on Inco properties showing copper, nickel and palladium group metals. Wallbridge, having assembled claims over several years, also reports positive indications and has commenced a seven drill program on the frozen surface of Windy Lake, quite close to FNX/Dynatec activity northeast on the rim. Limited exploration was last undertaken beneath the lake in the 1950s – not using modern technology. Wallbridge is partnered by the world's No. 3 palladium group producer Lonmin Plc of the U.K.

## Corporate Information

### CANADIAN GENERAL INVESTMENTS, LIMITED

#### BOARD OF DIRECTORS

Albert E. Bates  
*(Corporate Director)*  
James G. Cook  
*(Barrister and Solicitor)*  
Carl S. Hutman \*  
*(Private Investor)*  
Nicholas L. Majendie  
*(Senior Vice-President and Director,  
Canaccord Capital Corporation  
[Investment Dealers])*  
Jonathan A. Morgan  
*(Senior Vice-President and Director,  
Morgan Meighen & Associates Limited  
[Investment Management])*  
Vanessa L. Morgan  
*(Chairman of the Corporation)*  
R. Neil Raymond  
*(Chairman and CEO, Innovium  
Capital Corp.)*  
Michael A. Smedley  
*(President of the Corporation)*

#### AUDIT COMMITTEE

Albert E. Bates  
James G. Cook  
Carl S. Hutman \*

#### CORPORATE GOVERNANCE COMMITTEE

Albert E. Bates  
Nicholas L. Majendie  
Jonathan A. Morgan

#### OFFICERS

Vanessa L. Morgan  
*Chairman*  
Michael A. Smedley  
*President*  
Colin Smith  
*Secretary-Treasurer*  
Frank Fuernkranz, MBA, CA, CFA  
*Assistant-Treasurer*

\* Mr. Hutman will not be standing for re-election at the April 3, 2003 meeting of shareholders.

#### ANNUAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of the shareholders of Canadian General Investments, Limited will be held at 3:00 p.m. (Toronto time) Thursday, April 3, 2003 in Room A, 4th Floor, The Toronto Board of Trade, 77 Adelaide Street West, First Canadian Place, Street Level (Adelaide Street entrance), Toronto, Ontario, M5X 1C1 (Telephone: (416) 366-6811).

#### OFFICE OF THE COMPANY

110 Yonge Street, Suite 1601  
Toronto, Ontario, Canada M5C 1T4  
Telephone: (416) 366-2931  
Toll Free: 1-866-443-6097  
Fax: (416) 366-2729  
e-mail: cgifund@mmainvestments.com  
website: www.mmainvestments.com

#### AUDITORS

PricewaterhouseCoopers LLP  
Toronto

#### BANKERS

Bank of Montreal  
Toronto

#### SOLICITORS

Blake, Cassels & Graydon LLP  
Toronto

#### CANADIAN REGISTRAR AND TRANSFER AGENT

Computershare Trust  
Company of Canada  
100 University Avenue, 9th Floor  
Toronto, Ontario, Canada M5J 2Y1  
Telephone: (416) 981-9633  
Toll Free: 1-800-564-6253  
Fax: (416) 263-9524  
Toll Free: 1-866-249-7775  
e-mail: mmamail@computershare.com

To change your address, eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare at the above address.

#### U.K. TRANSFER AGENT

CIBC Mellon Trust Company  
Balfour House  
390 High Road  
Ilford, Essex IG1 1NQ  
Telephone: 020 8478 1888

#### U.K. STOCKBROKER

Teather & Greenwood Limited  
15 St. Botolph Street  
London EC3A 7QR  
Telephone: 020 7426 9000  
Fax: 020 7426 9595

*The Corporation is a founding member of the Closed-End Fund Association ("CEFA") in North America.*

#### PUBLICATION

Diluted net asset value per share (NAV) and/or market price, market return, and discount information are published daily/weekly in various media in Canada, the United States and the United Kingdom. These include: Globe and Mail, National Post, New York Times, Wall Street Journal, Barron's, Financial Times, and Daily Telegraph.

The Corporation posts ongoing top 10 portfolio investments (priced at market), together with current discount and market return information on its website. Similar information is available directly from the Corporation upon request.

#### STOCK EXCHANGE LISTING

The Toronto Stock Exchange  
*Trading Symbols:*  
Common Shares CGI  
Preference Shares CGI.PRA  
Warrants CGI.WT

The London Stock Exchange  
*Reuters Symbols:*  
Common Shares CGIq.L  
Warrants CGI\*q.L

#### DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

The Plan, administered by the Corporation's Canadian Transfer Agent, offers an efficient method of acquiring additional shares. As well as with reinvested dividends, shareholders may purchase additional shares for cash (minimum \$100 – maximum \$5,000) every quarter. Shares are purchased on the open market, with participants paying the average cost while the Corporation pays administrative charges. The Plan may be used for self-directed RRSPs. Also, a number of Canadian brokers offer dividend reinvestment plans to CGI shareholders. Note: U.S. shareholders are eligible for the dividend reinvestment segment of the plan only.

**CANADIAN GENERAL INVESTMENTS, LIMITED**

110 Yonge Street, Suite 1601

Toronto, Ontario, Canada M5C 1T4

Telephone: (416) 366-2931

Toll Free: 1-866-443-6097

Fax: (416) 366-2729

e-mail: [cgifund@mmainvestments.com](mailto:cgifund@mmainvestments.com)

website: [www.mmainvestments.com](http://www.mmainvestments.com)